

ASX Release

**Oventus prepares for sales ramp up with expanded product range,
distribution agreements - Appendix 4E with audited general purpose
financial report**

Brisbane, Australia 31st August 2017: Australian medical device company, Oventus Medical Ltd. (ASX:OVN) is pleased to release its Appendix 4E with its full year audited general purpose financial report for the period ending 30 June 2017.

The focus this year has been on four main areas - product development, clinical trials (both new products and additional product validation) and regulatory approvals, as well as market development and market access. These will lay the foundation for sales ramp up. Oventus reported revenue of \$447,994 for the 12 months to June 30, 2017, and a net loss after tax of \$6,510,114.

Notably, Oventus entered into a global distribution agreement with Modern Dental, the world's largest provider of dental prosthetic devices, with over 70 sales and service centres covering North America, Europe, Australia and the Greater China region.

The two companies have also established a co-manufacturing agreement for the O₂Vent product range. Modern Dental group has extensive expertise in the manufacture of dental appliances, holding the required quality management manufacturing certifications, including contract manufacturer registration with the FDA in the US. It will enable Oventus to scale up manufacturing cost effectively for a global market.

Modern Dental has exclusive marketing rights to the Oventus product suite in the US, and non-exclusive rights in the rest of the world. Plans are now underway for a US launch in October 2017, with training and marketing development activities now in progress.

With the O₂Vent W, the winged, or dorsal flex appliance cleared for sale to the US with the FDA, Oventus and Modern Dental will enter the US market with Oventus' proprietary airway technology integrated into the two most commonly used mandibular advancement methods. This will enable us to cater to the large section of dentists who prefer a winged styled device for mandibular advancement.

Oventus Medical CEO and Managing Director, Neil Anderson, said "Oventus' unique airway technology provides a solution that can significantly improve outcomes for patients with snoring, and/or sleep apnoea. Based on the learnings we have gathered from our customers and being in the field, our focus this year has been to ensure we have the vital elements in place to accelerate market adoption, from the right product strategy to alignment with a credible partner, in Modern Dental that will facilitate our global expansion.

“We also continue to advance our clinical trial program, further validating the benefit of the airway technology, and supporting the development of our CPAP connection which opens another market opportunity, into patients who currently do not or do not comply with CPAP treatment. This product is expected to be launched in 2018, pending regulatory approval.”

-ENDS-

For more information, please contact:

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About Oventus

Oventus is a Brisbane based medical device company that is commercialising a suite of oral appliances for the treatment of sleep apnoea and snoring. Unlike other oral appliances, the Oventus devices have a unique and patented airway within the device that delivers air to the back of the mouth bypassing multiple obstructions from the nose, soft palate and tongue. They are particularly designed for the many people that have nasal obstructions and consequently tend to mainly breathe through their mouth. While it may seem counterintuitive, the device actually prevents oral breathing. The O₂Vent is designed to allow nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is supplemented via the airways in the appliance.

A clinical study completed earlier this year showed the company's first generation product the O₂Vent Mono™ is successful in treating OSA and that snoring was either eliminated or significantly reduced to 100 per cent of patients. The positive results included those people who had nasal obstructions and mainly breathed through their mouths, including when they were asleep. It also improves oxygen levels for patients.

According to a report published by the Sleep Health Foundation Australia, an estimated 1.5 million Australians suffer with sleep disorders and more than half of these suffer with obstructive sleep apnoea.¹

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnoea, OSA, however many patients have difficulty tolerating CPAP². Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnoea treatment.³

¹ *Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.*

² *Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003*

³ *Sutherland et al. Oral appliance treatment for obstructive sleep apnea: An updated Journal of Clinical Sleep Medicine. February 2014.*

OVENTUS MEDICAL LIMITED
Appendix 4E
Preliminary final report
30 June 2017

1. Company details

Name of entity:	Oventus Medical Limited
ACN:	608 393 282
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

Revenues from ordinary activities	down	17%	to	\$ 447,994
Loss from ordinary activities after tax attributable to the owners of Oventus Medical Limited (the Company)	up	178%	to	(6,510,114)
Loss for the year attributable to the owners of Oventus Medical Limited	up	178%	to	(6,510,114)
				30 Jun 2017 Cents
				30 Jun 2016 Cents
Basic loss per share				(9.18)
Diluted loss per share				(9.18)
				(5.37)
				(5.37)

3. Commentary on results for the year

The loss for the consolidated entity after providing for income tax amounted to \$6,509,064 (30 June 2016: loss of \$2,341,078).

Further commentary on the Consolidated Entity's results for the year can be found in the section headed 'Review of operations' on page 3 of the Directors Report included in the attached general purpose financial report for the year ended 30 June 2017.

4. Expected future developments

Detail regarding expected future developments of the Consolidated Entity can be found in the section headed 'Likely developments and expected results of operations' on page 6 of the Directors Report included in the attached general purpose financial report for the year ended 30 June 2017.

5. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>11.63</u>	<u>1.39</u>

6. Control gained over entities

The Consolidated Entity incorporated a new entity Oventus Medical USA, Inc. on 13 January 2017 to undertake its US operations. The entity contributed a loss of \$70,207 to 30 June 2017. See note 19 to the financial statements for further details.

7. Loss of control over entities

Not applicable

8. Dividends*Current period*

There were no dividends paid, recommended or declared during the current year.

Previous period

There were no dividends paid, recommended or declared during the previous year.

9. Dividend reinvestment plans

Not applicable.

10. Details of associates and joint venture entities

Not applicable

11. Foreign entities

Not applicable.

12. Attachments

The general purpose financial report of Oventus Medical Limited for the year ended 30 June 2017 is attached.

13. Audit qualification or review

The general purpose financial report for the year ended 30 June 2017 has been audited by the company's independent auditor, PKF Hacketts Audit.

14. Signed

Signed  _____

Mel Bridges

Director

Brisbane

Dated: 31 August 2017

OVENTUS MEDICAL LIMITED

ACN 608 393 282

General Purpose Financial Report
For the year ended 30 June 2017

General Purpose Financial Report
For the year ended 30 June 2017

CONTENTS	Page
Directors' report	3
Auditor's independence declaration	12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17
Directors' declaration	32
Independent auditor's report to the members of Oventus Medical Limited	33
Shareholder Information	38
Corporate directory	40

Directors' Report
For the year ended 30 June 2017

The directors present their report on the Consolidated Entity consisting of Oventus Medical Limited ('the Company') and the entities it controlled ('the Consolidated Entity') at the end of, or during, the year ended 30 June 2017.

Directors and company secretary

The following persons were directors of Oventus Medical Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mel Bridges - Chairman
Neil Anderson
Christopher Hart
Sue MacLeman
Stephen Denaro - Company secretary

Principal activities

During the year the principal activities of the Company consisted of the commercialisation and distribution of the O2Vent™ T, in Australia, as well as development of a pipeline of products to treat segments of the snoring and sleep apnoea market. These segments include those that do not comply or adhere to existing treatment options due to nasal obstruction and/or inability to utilise the CPAP mask.

Dividends

There were no dividends to shareholders paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$6,510,114 (30 June 2016: loss of \$2,341,078)

As planned, the Consolidated Entity has continued to operate mainly as a research and development (R&D) company while preparing for a launch into overseas jurisdictions which are large market opportunities for the company's innovative product range. Development expenditure totalling \$2,068,457 has been capitalised in the consolidated statement of financial position for 2017. The Consolidated Entity received \$457,383 from the Australian Federal Government in January 2017 as a credit for the company's 2016 financial year R&D spend.

The Consolidated Entity signed the Modern Dental Group (MDG) to a global distribution agreement for the Oventus proprietary O2Vent product range which is exclusive for the USA and non-exclusive for the rest-of-the-world. MDG is the world's largest dental prosthetic device provider with over 70 sales and customer services centres covering North America, Europe, Australia, and the Greater China regions. It is planned that this distribution relationship will be the focus for appliance sales to dentists. Training and marketing activities are well advanced with a ramp up in sales planned from the end of 2017.

This followed the Consolidated Entity's launch of its initial product (O2Vent T) into the USA in late January 2017 (announced 18 January 2017) through initial pilot sites. An additional product, the O2Vent W was developed and subsequently cleared by the Food and Drug Administration (FDA) in July 2017.

The Company also signed a collaborative agreement in China with a large hospital service company (announced 1 February 2017). The collaboration includes clinician training, clinical trialling and regulatory approvals prior to a product launch in China.

The Consolidated Entity has completed two capital raisings in the year ended 30 June 2017. Oventus Medical listed on the ASX in July 2016 raising \$12 million through the issue of 24,000,000 fully paid ordinary shares at an issue price of \$0.50 per share. A further \$6,480,000 was received during the year ended 30 June 2017. The total transaction costs for the two issues amounted to \$1,176,971.

As planned, the Consolidated Entity has continued to operate mainly as a research and development (R&D) company while preparing for a launch into overseas jurisdictions which are large market opportunities for the company's innovative product range. Development expenditure totalling \$2,068,457 has been capitalised in the consolidated statement of financial position for 2017. The Consolidated Entity received \$457,383 from the Australian Federal Government in January 2017 as a credit for the company's 2016 financial year R&D spend.

It is planned that over the next 6 to 12 months most of the Consolidated Entity's product portfolio will be developed and the 3 current clinical trials will be completed. Products being developed, especially for the sleep clinician channel, include a trial appliance for faster delivery and patient evaluation and a Continuous Positive Airway Pressure (CPAP) connection to the appliance airway for severe sleep apnoea patients.

The R&D focus has switched to the recently announced Cooperative Research Centre Program (CRCP) which will receive \$2.95 million funding over the next 3 years from the Australian Federal government's Department of Industry, Innovation and Science (announced 8 February 2017). Oventus is the lead participant with Medical Monitoring Solutions Pty Ltd with Neuroscience Research Australia (NeuRA), Western Sydney University (WSU) and CSIRO as the other participants.

Once the company is at the point with a more expanded product range and with additional clinical evidence valuing the company's novel airway, the emphasis for the company will switch to a wider market penetration. In preparation, over the next 6 months the Company plans to form additional collaboration for both manufacturing and distribution.

Directors' Report
For the year ended 30 June 2017

Review of operations (continued)

The significant factors underlying the operating performance were as follows:

1. A pilot marketing launch has been initiated in Australia for the O2Vent™ T. As a result the Consolidated Entity earned \$447,994 in revenue in 2017.
2. Setup for the wider launch is now underway following the recent signing of the Modern Dental Group to a world-wide distribution agreement with an initial focus on USA, Australia and Europe.
3. The O2Vent™ T was submitted to the FDA as a 510k and was subsequently cleared for market release (announced 26 September 2016). Initial appliances were delivered through pilot or Beta clinical sites.
4. An FDA 510k submission for the O2Vent W was completed in May 2017 and the product was subsequently cleared for sale in July 2017. The O2Vent T and O2Vent W appliances will be the main products sold through the global distribution arrangement with the Modern Dental Group. A manufacturing agreement with Modern Dental has also been signed which allow the Consolidated Entity to supply appliances in the anticipated volumes as per the distribution agreement.
5. The Consolidated Entity announced the completion of the first detailed physiological pilot study (24 January 2017) into the effect of the O2Vent T on pharyngeal pressure swings, which cause the airway to collapse in Obstructive Sleep Apnoea and as a Continuous Positive Airway Pressure (CPAP) interface. The study resulted in encouraging data in a small sample size (n=4) which supports the benefit of the airway in reducing pressure swings, collapsibility and CPAP pressure requirements. This indicates the use of the O2Vent T as a CPAP alternative either as a standalone appliance, or in combination with CPAP using it as a strapless CPAP interface. The trial will progress to the next stage to confirm initial findings in a larger cohort and will be mainly funded by the CRC-P.
6. The Consolidated Entity has implemented a state of the art cloud-based Enterprise Resource Planning (ERP) system which links the Consolidated Entity's current and future operational subsidiaries to the Oventus Medical financial management system. The ERP system includes manufacturing, patient and customer management modules.
7. The Consolidated Entity's Quality Management System has received both ISO13485 and MDSAP (Medical Device Single Audit Program) accreditation (announced on 10 January 2017 and 8 February 2017 respectively). ISO13485 is recognised globally as the best quality practice within the medical device industry. These certifications are a key requirement for major markets including Europe, the United States of America, Canada, Japan and Australia.
8. A new machine for polishing appliances has now been received and installed – it is currently being commissioned. Once commissioned its use is expected to increase the efficiency of production.
9. The Consolidated Entity announced (1 February 2017) a product correction recall for 191 O2Vent T appliances manufactured between 1 September 2016 and 30 November 2016. The correction was related to the Adjuster Assembly component of the device that allows adjustment of the screw and hook for appropriate titration. The correction was identified through post-market surveillance data after 12 devices were returned to the Consolidated Entity (representing 6% of the devices manufactured during the period). These devices were recalled as a precautionary measure, to be checked and if necessary, reworked in production with an improved manufacturing process. The manufacturing process that contributed to the correction has now been addressed, and all devices manufactured after 30 November 2016 have been checked and verified as safe and in full working order. The checking and correction of the 191 devices has been completed. The recall was not material to revenue or cash flow.
10. A number of new products have advanced through the R&D process. All are anticipated to be completed and transferred to manufacturing for regulatory clearance over the next 6 to 12 months. These include new appliance designs including a trial version for a faster delivery and lower cost evaluation of the Oventus airway technology and a connector system to allow combination therapy with CPAP. A research and development project for the 3D printing of inserts is progressing with a focus on developing end to end digital workflow and suitable materials printed by state of the art equipment. When implemented this is anticipated to lead to a significant reduction in production costs compared to the current manufacturing process.

Directors' Report
For the year ended 30 June 2017

Significant changes in the state of affairs

On 19 July 2016, the Company raised approximately \$12 million pursuant to the offer under the prospectus dated 8 June 2016 by the issue of 24,000,000 fully paid ordinary shares at an issue price of \$0.50 per share.

On 29 June 2017, 17,916,660 fully paid ordinary shares were issued at a price of \$0.36 per share.

On 30 June 2017, a further 83,340 fully paid ordinary shares were issued at a price of \$0.36 per share.

	30 June 2017 Number of Shares #	30 June 2017 Value of Shares \$	30 June 2016 Number of Shares #	30 June 2016 Value of Shares \$
Equity - Share capital				
Opening Balance	48,000,000	4,426,703	342,857	342,857
Issue of shares in Oventus Medical Limited on restructuring of company	-	-	(342,857)	-
Shares issued in consideration of initial investment in Oventus Manufacturing Pty Ltd	-	-	74,375,000	-
Ordinary shares issued: 28 September 2015	-	-	625,000	100,000
30 November 2015			20,650,000	4,130,000
19 July 2016	24,000,000	12,000,000	-	-
29 June 2017	17,916,660	6,449,998	-	-
30 June 2017	83,340	30,002	-	-
Consolidation of shares	-	-	(47,650,000)	
Share issue costs	-	(1,176,971)	-	(146,154)
At reporting date	<u>90,000,000</u>	<u>21,729,732</u>	<u>48,000,000</u>	<u>4,426,703</u>

A share purchase plan to raise additional capital of \$7 million was announced to the market on 22 June 2017 at an issue price of \$0.36 per share. An initial placement of 18,000,000 shares (First Tranche Shares) was issued to Institutional Investors on 29 June 2017 and 30 June 2017. A subsequent placement of an additional 1,444,444 shares (Second Tranche Shares) was completed on 9 August 2017.

Directors' Report
For the year ended 30 June 2017

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year Oventus Medical Limited raised \$519,843 by issue of 1,444,009 shares (Second Tranche Shares) at \$0.36 per share by way of a placement to Institutional Investors. This is in accordance with the share purchase plan announced to the market on 22 June 2017 which has been undertaken to raise overall additional capital of \$7 million.

On 12 July 2017 the Company received FDA clearance for the O2Vent W - winged or dorsal flex appliance - to allow for the sale of the appliance in the US. This is a significant milestone for entry into the US market as the Company now has O2Vent appliances with the two most popular mandibular advancement mechanisms. Initial sales are anticipated for the October 2017 quarter with a growth expected for future periods.

Likely developments and expected results of operations

The following factors are likely to affect the results of the Consolidated Entity in the future:

1. Successful training and marketing activities by Modern Dental Group with their customers
2. Uptake and acceptance of the O2Vent range of products by patients and clinicians in various geographical locations.
3. Additional partnerships for clinical delivery and distribution in various geographies.
4. Additional clinical evidence/clinical trial results which highlight the benefit of the airway for a range of products and patients.
5. Being able to scale manufacturing to meet demand.
6. Additional products developed and cleared by regulators that can treat a wider range of patients including those that are intolerant of CPAP masks or in the future, as a first line of treatment for specific severe sleep apnoea patients.

Environmental regulations

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

Information on directors and company secretary

Mel Bridges	(Chairman) (Non-Executive Director)
Qualifications	Bachelor Degree of Science (Chemistry), Honorary Doctorate from Queensland University of Technology and Fellow of the Australian Institute of Company Directors.
Experience	Mel has over 35 years' experience founding and building international lifescience, diagnostic and medical device companies and commercialising a wide range of Australian technology. He is responsible for numerous commercial and M&A transactions and liquidity events, including listings on the ASX.
	Mel has received national and state business awards including the 2005 AusBiotech Chairman's Industry Medal and 2004 Queensland Entrepreneur of the Year. Mel has founded and developed medical device and diagnostic companies, including Pacific Diagnostics (acquired by Baxter), PanBio Ltd (acquired by Inverness Medical), and ImpediMed Ltd (ASX: IPD).
Other current directorships	Mel is currently a director of ASX 100 Company ALS Ltd, and co-founder and chairman of Anantara Lifesciences Ltd.
Former directorships (last 3 years)	Mel was director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014).
Special responsibilities	Mel is the chair of the Remuneration Committee and serves on the Audit and Risk Management Committee.
Interest in shares	1,062,924 ordinary shares
Interest in options	200,732 options
Neil Anderson	(Managing Director) (Chief Executive Officer)
Qualifications	Bachelor of Applied Science (Hons), Diploma of Management, Graduate of the Institute of Company Directors (GAICD).
Experience	Neil has 30 years' experience in commercialising medical devices and managing the process from conception to market release including applied research, developing prototypes and testing, product development, manufacturing, regulatory submissions and clinical trials.
	Prior to taking on the role with Oventus, Neil founded and held the role of chief executive officer of CathRx for 10 years. In this role, Neil managed the process from the invention of the company's technology through to commercialising a range of products leading to sales in Europe.
Other current directorships	None
Former directorships (last 3 years):	None
Interest in shares	5,698,477 ordinary shares at 30 June 2017. This has increased to 5,837,365 subsequent to year end.
Interest in options	401,464 options

Directors' Report
For the year ended 30 June 2017

Christopher Hart

Qualifications

Experience

Other current directorships

Former directorships (last 3 years):

Interest in shares

Interest in options

(Clinical Director) (Founder)

Bachelor of Dental Science with Honours, Bachelor of Science in Biochemistry, Master of Philosophy in Biomedical Science.

Prior to establishing Oventus, Chris owned and managed a multi-site national dental practice, training institute and management consultancy which he sold to private equity investors.

Chris also acts as an adviser to various bodies within the dental industry as well as the health care sector more broadly on the commercial aspects of health care delivery.

None

None

26,167,513 ordinary shares at 30 June 2017. This has increased to 26,542,513 subsequent to year end.

401,464 options

Sue MacLeman

Qualifications

Experience

Other current directorships

Former directorships (last 3 years):

Special responsibilities

(Non-Executive Director)

Bachelor of Pharmacy from the University of Queensland, Masters of Marketing at Melbourne University (Melbourne Business School), a Masters of Law degree (Deakin University), a Fellowship with the ACPP and is a Fellow of AICD.

Sue is the CEO of the Medical Technology and Pharmaceutical Industry Innovation Growth Centre. She is also a non-executive director at Reproductive Health Sciences Ltd. Previously she has served as Mesoblast Ltd Head of Commercial and Senior Vice President Corporate. She has more than 20 years' experience as a pharmaceutical executive with roles in corporate, medical, marketing, business development, and sales management at Schering-Plough Corporation (now Merck), Amgen and BristolMyers Squibb. Sue has also served as CEO and director of several ASX and NASDAQ listed companies.

Sue is currently a director of RHS Ltd.

None

Sue is the chair of the Audit and Risk Management Committee and serves on the Remuneration Committee.

Interest in shares

20,000 ordinary shares

Interest in options

200,732 options

Stephen Denaro

Qualifications

Experience

(Company Secretary)

Bachelor of Business, Chartered Accountant, a Member of AICD and a Graduate Diploma in Applied Corporate Governance.

Steve has extensive experience in mergers and acquisitions, business valuations, accountancy and income tax compliance services, as well as board corporate governance. Steve provides company secretary services for a number of biotech and software companies. Steve is also a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

Meetings of directors

During the financial year, ten meetings of directors were held. Attendances were:

	Full Board	
	Number eligible to attend	Number attended
Mel Bridges (Chairman)	10	10
Neil Anderson	10	10
Christopher Hart	10	7
Sue MacLeman	10	9

Meetings of remuneration committee and audit and risk management committee

During the financial year, three meetings of the Remuneration and Nomination Committee were held and three meetings of the Audit and Risk Management Committee were held. Attendances were:

	Remuneration and Nomination		Audit and Risk Management	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mel Bridges (Chairman)	3	3	3	3
Sue MacLeman	3	3	3	3

Directors' Report
For the year ended 30 June 2017

Remuneration report

Key management personnel (KMP) covered in this report

The key management personnel of the Consolidated Entity consisted of the following directors of Oventus Medical Limited:

Mel Bridges (Chairman)
Neil Anderson
Christopher Hart
Sue MacLeman

And the following persons:

Elise Hogan (Vice President of Global Sales, Marketing and Commercialisation, ceased 28 June 2017)
Stephen Denaro (Company Secretary)

Remuneration policy and link to performance

The Group's remuneration policy adopted has been designed to:

- a. Align with shareholder and business objectives and expectations;
- b. Attract and retain suitably qualified and experienced people;
- c. Provide a level and composition of remuneration that is reasonable, fair and aligned to market;
- d. Encourage directors and executives to pursue the long term growth and success of the Company, balanced against the need to also achieve critical short term business objectives;
- e. Align corporate and individual performance;
- f. Be internally consistent;
- g. Be transparent with respect to setting performance goals and the measurement of performance against those goals; and
- h. Align with regional and industry standards and regulatory requirements.

The remuneration policy links to the Group's long-term performance by providing incentives to key management personnel based upon milestones which need to be met in the short to medium term which but which are essential requirements for the Group's long term performance. The issue of options to key personnel aligns their compensation to increases in share prices and, accordingly, increases in shareholder wealth. The remuneration policy is not based on earnings as this is not seen as the appropriate indicator of performance for key management personnel at this stage of the Group's life cycle.

Elements of remuneration

Remuneration packages may consist of fixed remuneration, short-term incentives and long term equity-based benefits.

Remuneration packages can be tailored to an individual's requirements to maximize available salary packaging options.

Total fixed remuneration consist of base salary, non-cash benefits provided inclusive of FBT (Fringe Benefit Tax) costs, as well as employer contributions to superannuation.

Short-term incentives consist of cash bonuses payable under the Company's Employee Incentive Plan, and are paid on the basis of an individual's performance and contributions during the year.

The Employee Incentive Plan is managed by the Remuneration and Nomination Committee, which sets and reviews relevant performance targets against which an individual's and the Company's short-term performance are measured.

Long-term benefits are provided by way of equity based incentives under the Company's Employee Option Plan, and are granted based on an assessment made by the Remuneration and Nomination Committee taking account of an individual's position, service and market-based assessment and an individual's capacity to influence corporate value.

The Employee Option Plan is managed by the Remuneration and Nomination Committee who recommends grants to individuals and the terms and performance criteria applicable.

Responsibilities of Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining appropriate levels and structure of remuneration for executives.

The Remuneration and Nomination Committee is responsible for approving performance metrics for executives and measuring performance against those metrics.

The Remuneration and Nomination Committee will review the remuneration of executives annually, taking account of market movements, comparative remuneration information and individual performance.

Directors' Report
For the year ended 30 June 2017

Remuneration report (continued)

Remuneration expenses for KMP

	Short-term benefits		Post-employment benefits		Share-based payments	
	Cash salary & fees	Bonus	Super	Termination benefits	Equity-settled	Total
	\$	\$	\$	\$	\$	\$
For the year ended 30 June 2017						
<i>Non-executive directors</i>						
Mel Bridges	74,583	-	7,085	-	6,933	88,601
Sue MacLeman	55,228	-	4,771	-	6,933	66,932
<i>Executive directors</i>						
Neil Anderson	300,070	-	28,507		13,867	342,444
Christopher Hart	300,070	-	28,507		13,867	342,444
<i>Other key management personnel</i>						
Elise Hogan (ceased 28 June 2017)	301,370	-	35,788	108,381	28,303	473,842
For the year ended 30 June 2016						
<i>Non-executive directors</i>						
Mel Bridges	54,300	-	5,158	-	2,410	61,868
Sue MacLeman	32,083	-	-	-	2,410	34,493
<i>Executive directors</i>						
Neil Anderson	170,472	-	16,195	-	4,821	191,488
Christopher Hart	170,472	-	16,195	-	4,821	191,488
<i>Other key management personnel</i>						
Elise Hogan	36,705	-	3,487	-	5,975	46,167

Contractual arrangements for executive KMP

Remuneration and employment terms for executive directors and other key management personnel are for the Managing Director, Clinical Director and the other key management personnel are detailed in employment agreements. The employment agreements do not have a fixed term. The Group may terminate the contracts immediately if the executive engages in serious misconduct, wilfully obeys a lawful and reasonable direction or becomes bankrupt. Otherwise, the Group or the executive may terminate the contracts by giving three months' notice.

Directors' Report
For the year ended 30 June 2017

Remuneration report (continued)

Non-executive director arrangements

The Board's policy is to remunerate non-executive Directors at market rates for comparable companies for the time, commitment and responsibilities undertaken by non-executive Directors.

Remuneration payable to non-executive Directors consists of fixed fees payable within the aggregate director fees approved by shareholders. In addition, statutory employer superannuation contributions are payable where relevant, as are non-cash benefits in lieu of fees.

Base fixed fees payable to non-executive Directors take account of work undertaken on Board committees. Additional fixed fees will be paid to directors who chair a Board committee.

In addition, non-executive Directors may participate under the terms of the Company's Employee Option Plan, subject to the relevant approval of shareholders.

Other than by way of payment of statutory employer superannuation contributions, retirement benefits are not granted to non-executive Directors.

The Remuneration and Nomination Committee reviews the remuneration of non-executive Directors annually. If considered necessary, the Remuneration and Nomination Committee will recommend that shareholders be asked to consider, and if considered appropriate, to approve any increase in the aggregate non-executive Director fees. The total amount of fixed fees paid to non-executive Directors must not exceed the maximum amount authorised by shareholders from time to time. As at 30 June 2017, the Consolidated Entity was a listed entity and the requirement to have non-executive director remuneration authorised is subject to approval at the Company's annual general meeting.

Where relevant, the Remuneration and Nomination Committee will seek advice from independent third parties to bench mark non-executive Director remuneration against relevant market practice.

Shares under option

Unissued ordinary shares

Unissued ordinary shares of Oventus Medical Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Number under option
24 February 2016	23 February 2021	\$ 0.578	2,258,601
1 December 2016	1 December 2022	\$ 1.055	500,000
23 May 2017	12 December 2022	\$ 0.961	700,000
23 May 2017	24 February 2022	\$ 0.940	150,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

It is noted that options of 401,464 granted on 14 April 2016 at an issue price of \$0.725 to KMPs were forfeited subsequent to the end of the year.

Shares issued on the exercise of options

No options were exercised during the year ended 30 June 2017.

Directors' Report
For the year ended 30 June 2017

Insurance of officers and indemnities

During the financial year, Oventus Medical Limited paid a premium of \$109,273 to insure the directors and secretaries of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is set out on the following page and forms part of the Directors' Report for the period ended 30 June 2017.

This report is made in accordance with a resolution of directors.



Director

Brisbane
Dated: 31 August 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
OVENTUS MEDICAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS AUDIT



Cameron Bradley
Partner

Brisbane, 31 August 2017

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Sales revenue		447,994	540,164
Other income		51,213	-
Less: Expenses			
Manufacturing costs - Pilot phase		582,431	512,007
Marketing, website and logo expenses		852,419	341,266
Accounting and legal fees		463,335	195,774
Employee and contractors expense		2,569,138	1,033,863
Premises rental expense		174,265	85,620
Information technology costs		473,082	137,542
Insurance expense		142,308	26,297
Depreciation and amortisation		615,621	197,470
Administrative expenses		331,644	167,097
Research and development expenses		239,977	-
International travel expenses		297,348	55,150
Other expenses		356,414	142,027
Total expenses		<u>7,097,982</u>	<u>2,894,113</u>
Loss before interest and income tax		<u>(6,598,775)</u>	<u>(2,353,949)</u>
Interest revenue		<u>88,661</u>	<u>12,871</u>
Loss before income tax expense		<u>(6,510,114)</u>	<u>(2,341,078)</u>
Income tax expense	13	-	-
Loss for the year attributable to members of the company		<u>(6,510,114)</u>	<u>(2,341,078)</u>
Other comprehensive income for the year		-	-
Total comprehensive loss attributable to members of the company		<u><u>(6,510,114)</u></u>	<u><u>(2,341,078)</u></u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2017

		30 June 2017 \$	30 June 2016 \$
	Note		
Current assets			
Cash and cash equivalents	3	8,648,099	161,114
Trade and other receivables	4	420,092	124,145
Other current assets	5	1,225,385	744,507
Total current assets		10,293,576	1,029,766
Non-current assets			
Property, plant and equipment	6	1,314,290	1,427,298
Intangible assets	7	2,420,447	1,270,978
Deposits		91,518	-
Total non-current assets		3,826,255	2,698,276
Total assets		14,119,831	3,728,042
Current liabilities			
Trade and other payables	8	1,089,043	1,655,614
Other liabilities	9	127,473	78,822
Total current liabilities		1,216,516	1,734,436
Non-current liabilities			
Other liabilities	9	14,283	57,267
Total non-current liabilities		14,283	57,267
Total liabilities		1,230,799	1,791,703
Net assets		12,889,032	1,936,339
Equity			
Share capital	10	21,729,732	4,426,703
Share based payment reserve	11	201,311	41,533
Accumulated losses	12	(9,042,011)	(2,531,897)
Total equity		12,889,032	1,936,339

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Contributed Equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	342,857	-	(190,819)	152,038
Loss for the year	-	-	(2,341,078)	(2,341,078)
Total comprehensive income for the period	-	-	(2,341,078)	(2,341,078)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	4,083,846	-	-	4,083,846
Share based payments	-	41,533	-	41,533
Total transactions with owners in their capacity as owners:	4,083,846	41,533	-	4,125,379
Balance at 30 June 2016	<u>4,426,703</u>	<u>41,533</u>	<u>(2,531,897)</u>	<u>1,936,339</u>
Balance at 1 July 2016	4,426,703	41,533	(2,531,897)	1,936,339
Loss for the year	-	-	(6,510,114)	(6,510,114)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,510,114)	(6,510,114)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	17,303,029	-	-	17,303,029
Share based payments	-	159,778	-	159,778
Total transactions with owners in their capacity as owners:	17,303,029	159,778	-	17,462,807
Balance at 30 June 2017	<u>21,729,732</u>	<u>201,311</u>	<u>(9,042,011)</u>	<u>12,889,032</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Receipts from customers		398,056	509,373
Payments to suppliers and employees		(6,630,595)	(2,203,345)
Interest received		85,260	12,871
R&D grants and concessions received		629,899	177,453
Interest and other finance costs paid		(12,696)	(319)
Net cash outflow from operating activities	21	(5,530,076)	(1,503,967)
Cash flows from investing activities			
Payments for property, plant and equipment		(249,959)	(1,529,706)
Payments for term deposits		-	(92,385)
Payments for intangible assets		(2,251,874)	(1,060,668)
Net cash outflow from investing activities		(2,501,833)	(2,682,759)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	10	17,303,029	4,083,846
(Repayments of) / proceeds from borrowings from directors and related entities		(767,999)	221,118
Net cash inflow from financing activities		16,535,030	4,304,964
Net increase in cash held		8,503,121	118,238
Cash and cash equivalents at the beginning of the financial period		161,114	42,876
Effects of exchange rate changes on cash and cash equivalents		(16,136)	-
Cash and cash equivalents at the end of the financial period		8,648,099	161,114

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the year ended 30 June 2017

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

These financial statements have been prepared under the historical cost convention on an accrual basis of accounting and a going concern assumption.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 18.

Principles of consolidation

The Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2017 incorporates the assets, liabilities and results of the Company and its controlled entities. A subsidiary is any entity over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

All intercompany balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities are consistent with the policies adopted by the parent unless otherwise stated below.

The Company was incorporated on 23 September 2015. At the same time Oventus CRM Pty Ltd was incorporated as a wholly owned subsidiary of the Company. On 28 September 2015, the Company acquired all the issued shares in Oventus Manufacturing Pty Ltd, the consideration being the issue of 74,375,000 fully paid shares in the Company (the Restructure). Oventus Manufacturing Pty Ltd is the operating company in the Consolidated Entity. Oventus Medical Limited and Oventus CRM Pty Ltd have not traded during the year.

As the shareholders of Oventus Manufacturing Pty Ltd prior to the Restructure were the same as the shareholders of the Company on completion of the Restructure, the Restructure has been treated as a "common control transaction" which does not meet the requirements of a "business combination" as set out in AASB 3 Business Combinations. Accordingly, no additional intangible assets (including any goodwill) have been recognised on completion of the Restructure.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Comparative information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Segment Reporting

The Consolidated Entity is a medical device developer operating within a sole industry, being the development of oral appliances for sleep disorders. The company operates predominantly in Australia. Operations commenced in the United States of America in January 2017, however the effect and size of the operation outside of Australia is not yet material.

Notes to the Financial Statements
For the year ended 30 June 2017

1. Significant accounting policies (continued)

Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Government grants

Grants from government, including Australian Research and Development tax offsets, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable.

When the grant relates to an asset, the cost of the asset is shown net of the grant or receivable.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Manufacturing costs - Pilot phase

Manufacturing costs incurred during the pilot phase of manufacturing have been expensed as incurred. When the Consolidated Entity expands its manufacturing and distribution, expected in the year ended 30 June 2019, it will commence recognising cost of sales. All costs directly associated with generating revenue, including direct materials and labour and indirect costs will be allocated to cost of goods for sale.

Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accrual basis. Amounts disclosed as expenses are net of taxes paid except where the amount of goods and services tax incurred is not recoverable from the taxation authority. In these circumstances, the tax is recognised as part of the expense.

Notes to the Financial Statements
For the year ended 30 June 2017

1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently shown net of provision for bad debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates
Office equipment	20%
Computer equipment	33%
Sleep and production equipment	20-33%

Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences are recognised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Group's estimate of the useful lives of its patents, trademarks and licenses is 20 years.

Notes to the Financial Statements
For the year ended 30 June 2017

1. Significant accounting policies (continued)

Intangible assets (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Any research and development tax offsets or grants received relating to development costs are deducted from the total development cost. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the estimated useful life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Financial instruments

Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Impairment of financial assets

The carrying amount of financial assets is reviewed annually by directors to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the company recognises impairment losses.

Trade and other payables

Trade payables represent liabilities for goods and services provided to the Company prior to the end of financial period, which are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair

For an asset measured at cost, an impairment loss is recognised in profit or loss where the carrying amount of the asset exceeds its recoverable amount.

Reversal of impairment loss for an asset measured at cost other than goodwill is recognised immediately in profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2017

1. Significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Employee entitlements

Liabilities for salaries including annual leave expected to be settled within 12 months of the reporting date are recognised in current employee entitlements in respect of employee services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is based on current salary levels, years of completed service and the estimated probability that the employee will remain with the Company.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as a part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Contributed equity

Ordinary shares are classified as equity; incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Consolidated entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments and applicable amendments, effective from 1 January 2018, addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. It has now also introduced revised rules around hedge accounting and impairment. The Consolidated Entity will adopt this standard and the amendments from 1 July 2017 and it does not expect this to have a significant impact on the recognition and measurement of the Consolidated Entity's financial instruments. The derecognition rules have not been changed from the previous requirements and the Consolidated Entity does not apply hedge accounting.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for its adoption. The standard will require contracts to be identified, together with the separate performance obligations within the contract. The transaction price will be determined adjusted for the time value of money. Revenue is recognised when each performance obligation is satisfied. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Consolidated Entity will adopt this standard from 1 July 2018 and is assessing the impact of its adoption.

AASB 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change. The Consolidated Entity has not elected early adoption and is assessing the impact of its adoption.

Notes to the Financial Statements
For the year ended 30 June 2017

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Development costs

The Group capitalises development costs for a project in accordance with the accounting policy as per note 1. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. At 30 June 2017, the carrying amount of capitalised development costs was \$1,847,478 (2016: \$920,768).

Going concern

The financial statements have been prepared on a going concern basis that presumes the realisation of assets and the discharge of liabilities in the normal course of operations for the foreseeable future.

The ability of the Consolidated Entity to continue on a going concern basis is dependent upon the following:

- The successful development of the Consolidated Entity's product
- Success in achieving budgeted sales and positive cash flow from operations, and
- The ability to raise further capital as required.

During the year, the Consolidated Entity made a loss before tax of \$6,510,114 (30 June 2016: loss of \$2,341,078) and has accumulated losses of \$9,042,011. However, as at 30 June 2017, the current assets exceed its current liabilities by \$9,077,060. Thus the directors have a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence in the foreseeable future. However, additional capital raising may be required in the future to meet expansionary and long term goals.

Notes to the Financial Statements
For the year ended 30 June 2017

	30 June 2017 \$	30 June 2016 \$
3. Cash and cash equivalents		
Cash on hand	324	233
Cash at bank	8,647,775	160,881
	<u>8,648,099</u>	<u>161,114</u>

4. Trade and other receivables		
Trade debtors	107,567	47,621
GST receivable	250,029	75,657
Other debtors	62,496	867
	<u>420,092</u>	<u>124,145</u>

As at 30 June 2017, trade receivables of \$72,440 (2016: \$26,280) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

5. Other current assets		
Prepayments	220,523	157,478
Term deposits	-	91,518
Rental bond paid	3,051	3,051
Accrued research & development tax credit	848,567	396,301
Inventory	85,497	-
Other assets	67,747	96,159
	<u>1,225,385</u>	<u>744,507</u>

6. Property, plant and equipment					
	Furniture	Computer and office equipment	Sleep and production equipment	Property improvements	Total
	\$	\$	\$	\$	\$
At 1 July 2015					
Cost	-	4,788	-	-	4,788
Accumulated depreciation	-	(1,172)	-	-	(1,172)
Net book amount	<u>-</u>	<u>3,616</u>	<u>-</u>	<u>-</u>	<u>3,616</u>
Year ended 30 June 2016					
Opening net book amount	-	3,616	-	-	3,616
Additions	8,329	21,065	1,261,804	271,523	1,562,721
Tax concession received or receivable	-	-	(33,016)	-	(33,016)
Depreciation charge	(862)	(4,310)	(57,908)	(42,943)	(106,023)
Closing net book amount	<u>7,467</u>	<u>20,371</u>	<u>1,170,880</u>	<u>228,580</u>	<u>1,427,298</u>
At 30 June 2016					
Cost	8,329	25,853	1,261,804	271,523	1,567,509
Accumulated depreciation	(862)	(5,482)	(90,924)	(42,943)	(140,211)
Net book amount	<u>7,467</u>	<u>20,371</u>	<u>1,170,880</u>	<u>228,580</u>	<u>1,427,298</u>
Year ended 30 June 2017					
Opening net book amount	7,467	20,371	1,170,880	228,580	1,427,298
Additions	-	18,046	231,913	-	249,959
Disposals	-	(784)	(400)	-	(1,184)
Depreciation charge	(2,489)	(10,025)	(274,630)	(74,639)	(361,783)
Closing net book amount	<u>4,978</u>	<u>27,608</u>	<u>1,127,763</u>	<u>153,941</u>	<u>1,314,290</u>
At 30 June 2017					
Cost	8,329	42,691	1,493,256	271,523	1,815,799
Accumulated depreciation	(3,351)	(15,083)	(365,493)	(117,582)	(501,509)
Net book amount	<u>4,978</u>	<u>27,608</u>	<u>1,127,763</u>	<u>153,941</u>	<u>1,314,290</u>

Sleep and production equipment is shown net of amounts received or receivable subject to the research and development tax concession.

Notes to the Financial Statements
For the year ended 30 June 2017

	Patents, trademarks and licences	Software	Development costs	Total
	\$	\$	\$	\$
7. Intangible assets				
At 1 July 2015				
Cost	113,083	3,355	842,563	959,001
Accumulated amortisation	(4,496)	(839)	-	(5,335)
Net book amount	<u>108,587</u>	<u>2,516</u>	<u>842,563</u>	<u>953,666</u>
Year ended 30 June 2016				
Opening net book amount	108,587	2,516	842,563	953,666
Additions	95,512	164,678	800,478	1,060,668
Tax concession received or receivable	-	-	(651,910)	(651,910)
Amortisation expense	(5,306)	(15,777)	(70,363)	(91,446)
Closing net book amount	<u>198,793</u>	<u>151,417</u>	<u>920,768</u>	<u>1,270,978</u>
At 30 June 2016				
Cost	208,595	168,033	991,131	1,367,759
Accumulated amortisation	(9,802)	(16,616)	(70,363)	(96,781)
Net book amount	<u>198,793</u>	<u>151,417</u>	<u>920,768</u>	<u>1,270,978</u>
Year ended 30 June 2017				
Opening net book amount	198,793	151,417	920,768	1,270,978
Additions	192,656	133,325	1,925,893	2,251,874
Tax concession received or receivable	-	-	(848,567)	(848,567)
Amortisation expense	(21,459)	(81,763)	(150,616)	(253,838)
Closing net book amount	<u>369,990</u>	<u>202,979</u>	<u>1,847,478</u>	<u>2,420,447</u>
At 30 June 2017				
Cost	401,251	301,358	2,068,457	2,771,066
Accumulated amortisation	(31,261)	(98,379)	(220,979)	(350,619)
Net book amount	<u>369,990</u>	<u>202,979</u>	<u>1,847,478</u>	<u>2,420,447</u>

Development costs are shown net of amounts received or receivable subject to the research and development tax concession.

	30 June 2017 \$	30 June 2016 \$
8. Trade and other payables		
Trade creditors	367,800	468,854
Other creditors	453,198	129,168
GST payable	1,122	12,107
PAYG Withholding payable	237,048	283,063
Employee benefits payable	29,875	-
Payable to related party - director loans	-	762,422
	<u>1,089,043</u>	<u>1,655,614</u>

Notes to the Financial Statements
For the year ended 30 June 2017

			30 June 2017 \$	30 June 2016 \$
9. Other liabilities				
<i>Current</i>				
Employee benefits - annual leave			84,489	38,365
Deferred lease incentive			42,984	40,457
			<u>127,473</u>	<u>78,822</u>
<i>Non-current</i>				
Deferred lease incentive			14,283	57,267
			<u>14,283</u>	<u>57,267</u>
	30 June 2017 Number of Shares #	30 June 2017 Value of Shares \$	30 June 2016 Number of Shares #	30 June 2016 Value of Shares \$
10. Equity - Share capital				
Opening Balance	48,000,000	4,426,703	342,857	342,857
Issue of shares in Oventus Medical Limited on restructuring of company	-	-	(342,857)	-
Shares issued in consideration of initial investment in Oventus Manufacturing Pty Ltd	-	-	74,375,000	-
Ordinary shares issued:				
28 September 2015	-	-	625,000	100,000
30 November 2015	-	-	20,650,000	4,130,000
19 July 2016	24,000,000	12,000,000	-	-
29 June 2017	17,916,660	6,449,998	-	-
30 June 2017	83,340	30,002	-	-
Consolidation of shares	-	-	(47,650,000)	-
Share issue costs	-	(1,176,971)	-	(146,154)
At reporting date	<u>90,000,000</u>	<u>21,729,732</u>	<u>48,000,000</u>	<u>4,426,703</u>
Rights of each type of share				
Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.				
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.				
			30 June 2017 \$	30 June 2016 \$
11. Equity - Share based payment reserve				
Share based payment reserve			201,311	41,533
			<u>201,311</u>	<u>41,533</u>
The share based payment reserve is used to recognise the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 23 for further details.				
12. Accumulated losses				
Accumulated losses at beginning of year			(2,531,897)	(190,819)
Current period loss			(6,510,114)	(2,341,078)
			<u>(9,042,011)</u>	<u>(2,531,897)</u>

Notes to the Financial Statements
For the year ended 30 June 2017

	30 June 2017 \$	30 June 2016 \$
13. Income tax expense		
<i>Income tax expense</i>	-	-
Current tax	-	-
Aggregate income tax expense	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(6,510,114)	(2,341,078)
Tax at the statutory tax rate of 27.5% (2016: rate of 30%)	(1,790,281)	(702,323)
Tax effect amounts which are not deductible in calculating taxable income:		
Non-assessable or deductible items	57,558	454
	(1,732,723)	(701,870)
Unused tax losses for which no deferred tax asset has been recognised	1,732,723	701,870
Income tax expense	-	-

14. Financial instruments

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (which includes foreign currency risk), interest rate risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange risk and aging analysis for credit risk.

Risk management is carried out by the chief executive officer under policies approved by the directors. These policies include identification and analysis of risks and appropriate procedures to address these and report to the board of directors annually as to the effectiveness of the Consolidated Entity's management of its key business risks.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Consolidated Entity's income.

Foreign currency risk

The Consolidated Entity is exposed to foreign exchange fluctuations in relation to expenditures denominated in foreign currencies.

Interest rate risk

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents.

The Consolidated Entity has reviewed its sensitivity to foreign currency and interest rate risks and determined that this is not material.

As at the reporting date, the Consolidated Entity had the following cash and cash equivalents:

Consolidated	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash on hand and short term deposits	nil	324	nil	233
Cash at bank	nil	8,647,775	0.62%	160,881
Term deposits	2.77%	91,518	2.77%	91,518
Net exposure to cash flow interest rate risk		8,739,617		252,632

Subsequent to 30 June 2017, on 3 July 2017 \$6,000,000 was transferred to a term deposit, earning interest at 2.16% p.a.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The management assess the credit quality of its customers taking into account their financial position and past experience. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Consolidated Entity does not hold any collateral.

Notes to the Financial Statements
For the year ended 30 June 2017

14. Financial instruments (continued)

Financial assets

Set out below is an overview of financial assets, other than cash and short term deposits, held by the Consolidated Entity as at 30 June 2017 and 30 June 2016:

	30 June 2017 \$	30 June 2016 \$
Consolidated		
Financial assets at amortised cost:		
Trade and other receivables	420,092	124,145
Total	<u>420,092</u>	<u>124,145</u>

Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	30 June 2017		30 June 2016	
	Weighted average interest rate %	1 year or less \$	Weighted average interest rate %	1 year or less \$
Consolidated				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade and other payables	nil	1,089,043	nil	893,192
Loans from directors	nil	-	nil	237,422
<i>Interest-bearing - fixed</i>				
Loans from directors	nil	-	11.43%	525,000
Total non-derivatives		<u>1,089,043</u>		<u>1,655,614</u>

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

15. Related party transactions

The Consolidated Entity entered into the following related party transactions during the year:

(a) Product sales

A total of \$128,000 in sales by Oventus Manufacturing have been to Breathing Assist Solutions Pty Ltd (formerly known as Oventus Clinical Pty Ltd), a company controlled by Christopher Hart and owned by entities associated with Christopher Hart and Neil Anderson. At 30 June 2017, amounts owed by Breathing Assist Solutions Pty Ltd was \$50,587 (30 June 2016: \$17,062) (included in trade and other receivables).

(b) Executive contract with Neil Anderson

The Company executed an executive contract with Neil Anderson as Chief Executive Officer on 15 February 2016, back-dated to 1 November 2015. Prior to the execution of the executive contract, remuneration paid to Neil Anderson as chief executive officer was through a consultancy agreement with NGCT Pty Ltd ("NGCT") a company controlled by Neil Anderson. For the year ended 30 June 2017 Oventus Manufacturing paid NGCT \$Nil (30 June 2016: \$59,000) for services provided by Neil Anderson. A portion of these costs was capitalised as development costs. No amounts were owed to NGCT at year end (2016: Nil).

Notes to the Financial Statements
For the year ended 30 June 2017

15. Related party transactions (continued)

(c) Loan facility - Christopher Hart

On 30 June 2014, Oventus Manufacturing entered into a facility agreement with Christopher Hart to provide a funding facility for Oventus Manufacturing. Interest accrued on the principal balance after 12 months from the date of the agreement and can be added to the principal. The interest rate is to be no more than the rate borrowed by the lender on similar loans. The debt is unsecured and the repayment date is to be agreed by the parties. At 30 June 2017, the amount owed to Christopher Hart under the facility agreement was \$Nil (30 June 2016: \$682,202). All amounts advanced up to completion of the capital raising, were repaid by proceeds received under the Offer, on 10 August 2016.

During the year ended 30 June 2016, Oventus Manufacturing occupied premises leased by Breathing Assist Solutions Pty Ltd, to which it contributed 50% of the premises costs. This arrangement ceased in January 2016 when Oventus entered into a lease at new premises. As at the date of this report, Breathing Assist Solutions sublets premises leased by Oventus at commercial rates. Rent was received of \$9,990 for the year ended 30 June 2017.

16. Key management personnel

Directors

The following persons were directors of Oventus Medical Limited during the financial year:

Mel Bridges	(Chairman) (Non-Executive Director)
Neil Anderson	(Managing Director) (Chief Executive Officer)
Christopher Hart	(Clinical Director) (Founder)
Sue MacLeman	(Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

Elise Hogan (ceased 28 June 2017)	(Vice President of Global Sales, Marketing and Commercialisation)
Stephen Denaro	(Company Secretary)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	30 June 2017 \$	30 June 2016 \$
Short-term employee benefits	1,056,321	482,780
Post-employment benefits	104,658	41,035
Share-based payments	69,903	20,438
Termination payments	108,381	-
	<u>1,339,263</u>	<u>544,253</u>

17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Hacketts Audit the auditor of the company:

	30 June 2017 \$	30 June 2016 \$
<i>Audit services - PKF Hacketts Audit</i>		
Audit or review of the financial statements	<u>43,500</u>	<u>42,440</u>
<i>Other services - PKF Hacketts</i>		
Investigating accountant services	<u>-</u>	<u>22,000</u>
	<u>43,500</u>	<u>64,440</u>

The Consolidated Entity retains PKF Hacketts to provide services in addition to their statutory audit requirements where PKF Hacketts expertise and experience with the Consolidated Entity are important. In 2016, these services comprised investigating accountant's services in connection the listing of the Company on the ASX.

Notes to the Financial Statements
For the year ended 30 June 2017

18. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	30 June 2017 \$	30 June 2016 \$
Loss after income tax	(760,992)	(159,697)
Total comprehensive income	<u>(760,992)</u>	<u>(159,697)</u>

Statement of financial position

Total current assets	8,554,784	584,121
Total assets	<u>20,968,314</u>	<u>4,312,989</u>
Total current liabilities	<u>159,271</u>	<u>45,984</u>
Total liabilities	<u>159,271</u>	<u>45,984</u>
Equity		
Issued capital	21,570,035	4,426,703
Accumulated losses	<u>(760,992)</u>	<u>(159,697)</u>
Total equity	<u>20,809,043</u>	<u>4,267,005</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

19. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / country of incorporation	Consideration for acquisition	Ownership interest	
			2017	2016
Oventus CRM Pty Ltd	Australia	-	100%	100%
Oventus Manufacturing Pty Ltd	Australia	342,857	100%	100%
Oventus Medical USA, Inc.	United States	-	100%	100%

Oventus Medical USA was incorporated as a wholly owned subsidiary of the Company on 13 January 2017 in the state of Delaware. O2Vent™ was officially launched at G'day USA event in San Francisco on 21 January 2017 and records for the first saleable product have been received. The purpose of this entity is to market and distribute the Consolidated Entity's devices in the USA.

The principal activities of the remaining subsidiaries are:

Oventus CRM Pty Ltd - holds patient and clinical data

Oventus Manufacturing Pty Ltd - operating entity responsible for the development and manufacture of the Consolidated Entity's devices.

Notes to the Financial Statements
For the year ended 30 June 2017

20. Subsequent events

Subsequent to the end of the financial year Oventus Medical Limited raised \$519,843 by issue of 1,444,009 shares (Second Tranche Shares) at \$0.36 per share by way of a placement to Institutional Investors. This is in accordance with the share purchase plan announced to the market on 22 June 2017 which has been undertaken to raise overall additional capital of \$7 million.

On 12 July 2017 the Company received FDA clearance for the O2Vent W - winged or dorsal flex appliance - to allow for the sale of the appliance in the US. This is a significant milestone for entry into the US market as the Company now has O2Vent appliances with the two most popular mandibular advancement mechanisms. Initial sales are anticipated for the October 2017 quarter with a growth expected for future periods.

21. Reconciliation of loss after income tax to net cash from operating activities

	30 June 2017 \$	30 June 2016 \$
Loss after income tax expense for the year	(6,510,114)	(2,341,078)
Adjustments for:		
Depreciation and amortisation	615,621	197,470
Net loss on disposal of non-current assets	11,096	-
Share-based payments	159,778	41,533
Research and development tax concession	396,301	651,910
Foreign exchange fluctuations	16,136	-
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(277,448)	(162,329)
(Increase) in other assets	(148,542)	(553,771)
Increase in trade and other payables	201,429	604,364
Increase in employee benefits	46,124	38,365
(Decrease) / Increase in other liabilities	(40,457)	19,569
Net cash outflow from operating activities	<u>(5,530,076)</u>	<u>(1,503,967)</u>

22. Earnings per share

	30 June 2017 \$	30 June 2016 \$
Earnings per share for profit/(loss) from continuing operations		
Loss after income tax	<u>(6,510,114)</u>	<u>(2,341,078)</u>
Loss after income tax attributable to the owners of Oventus Medical Limited	<u>(6,510,114)</u>	<u>(2,341,078)</u>
	Numbers	Numbers
Weighted average number of ordinary shares used in calculating basic earnings per share	70,914,840	43,590,892
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>70,914,840</u>	<u>43,590,892</u>
	Cents	Cents
Basic earnings per share	(9.18)	(5.37)
Diluted earnings per share	(9.18)	(5.37)

Notes to the Financial Statements
For the year ended 30 June 2017

23. Share-based payments

Employee option

Under the Consolidated Entity's Employee Share Option Plan, the Company has 2,609,882 (Tranche 1) options and 401,464 (Tranche 2) options outstanding as at 30 June 2017. The first tranche of options were issued to the Consolidated Entity's directors, employees and contractors under the Executive Share Option Plan and the second tranche of options was issued to the Company's Sales and Marketing Vice President under the Executive Share Option Plan. Subsequent issues were made in the year ended 30 June 2017 to the Consolidated Entity's employees under the Oventus Employee Option Plan.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
As at 30 June 2017							
24/02/2016	23/02/2021	\$ 0.578	2,960,794	50,183	-	(401,095)	2,609,882
14/04/2016	14/04/2021	\$ 0.725	401,464	-	-	-	401,464
1/12/2016	1/12/2021	\$ 1.055	-	550,000	-	-	550,000
23/05/2017	12/12/2022	\$ 0.961	-	700,000	-	-	700,000
23/05/2017	24/02/2022	\$ 0.940	-	100,000	-	-	100,000
				<u>1,400,183</u>	<u>-</u>	<u>(401,095)</u>	<u>3,561,346</u>
As at 30 June 2016							
24/02/2016	23/02/2021	\$ 0.578	-	3,061,160	-	(100,366)	2,960,794
14/04/2016	13/04/2021	\$ 0.725	-	401,464	-	-	401,464
				<u>3,462,624</u>	<u>-</u>	<u>(100,366)</u>	<u>3,362,258</u>

No options were exercised during the year ended 30 June 2017 under the Oventus Employee Option Plan.

24. Commitments for expenditure

The Company has entered into two non-cancellable operating property leases and one licencing arrangement for the use of property. Minimum lease payments contracted for but not recognised in the financial information are payable as follows:

	30 June 2017 \$	30 June 2016 \$
Not later than 1 year	195,286	228,238
Later than 1 but not later than 5 years	49,252	244,538
Total	<u>244,538</u>	<u>472,776</u>

The Taringa office property lease is a non-cancellable lease with a 3-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum.

The Sydney office property lease is a non-cancellable lease with a 2-year term. Minimum lease payments shall be increased by fixed rate of 4% per annum.

The licence agreement with Commonwealth Scientific and Industrial Research Organisation (CSIRO) is for the use of property and is for a licence period of 2 years, with licence and service fees payable monthly in advance. Contingent provisions within the licence agreement require that the licence and services fees shall be increased by the consumer price index (CPI) per annum.

Directors' Declaration
For the year ended 30 June 2017

In the directors' opinion

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Director

Brisbane

Dated: 31 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OVENTUS MEDICAL LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Oventus Medical Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Oventus Medical Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Capitalisation and Valuation of Internal Development Costs

Why significant

The Group's intangible assets as at 30 June 2017 include capitalised development costs with a carrying value of \$1,847,478 (2016: \$920,768), as disclosed in Note 7.

The Group's accounting policy in respect of development costs are outlined in Note 1 and Note 2.

Capitalised development costs are significant to the audit due to the amount of expenditure being capitalised and the specific criteria that have to be met for capitalisation

We note significant judgement is required:

- in determining the treatment of development expenditure in accordance with AASB 138, and the Group's accounting policy. In particular:
 - whether project costs in the design and development of a potential product meet the recognition conditions for an asset
 - whether a product development project is technically and economically feasible
 - in making assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.
- in determining that capitalised development costs have useful lives of 5 years which determines the amortisation rate
- in determining whether facts and circumstances indicate that development costs capitalised should be tested for impairment in accordance with Australian Accounting Standard AASB 136 Impairment of Assets.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- testing, on a sample basis, development expenditure incurred during the year for compliance with AASB 138 and the Group's accounting policy
- review the reasonableness of estimated useful life and amortisation method and check on a sample basis whether they are properly calculated and disclosed in the financial statements
- to assess whether there are indicators of impairment:
 - obtaining and assessing evidence of external changes within the Group's market or internal changes such as the sales performance of existing products
 - holding discussions with the directors and management as to the status of project developments as well as assessing if there was evidence that a product has been discontinued
 - obtaining and assessing evidence of the Group's future intention for the products, including reviewing future budgeted expenditure and sales forecasts.
- assessing the appropriateness of the related disclosures in Notes 1, 2 and 7.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

Opinion

In our opinion, the Remuneration Report of Oventus Medical Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PKF HACKETTS AUDIT



CAMERON BRADLEY
PARTNER

31 AUGUST 2017
BRISBANE

Oventus Medical Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 18 August 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Units	% of total shares issued
1 to 1,000	61	47,511	0.05
1,001 to 5,000	175	538,834	0.58
5,001 to 10,000	156	1,342,339	1.46
10,001 to 100,000	360	12,366,069	13.42
100,001 and over	91	77,844,512	84.49
	843	92,139,265	100.00
Holding less than a marketable parcel	-	-	

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
CHRISTOPHER PATRICK HART <CHD IP ACCOUNT>	26,126,513	28.36
UBS NOMINEES PTY LTD	9,958,614	10.81
NEIL ANDERSON	5,837,365	6.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,342,386	4.71
MOBIUS MEDICAL INVESTMENTS PTY LTD <MOBIUS MEDICAL INV UNIT A/C>	3,732,390	4.05
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,055,723	2.23
NEW HIGHLAND PTY LTD <KING FAMILY A/C>	2,048,984	2.22
CERALIUS PTY LTD <BRIDGES A/C>	1,866,195	2.03
MR GREGORY WAYNE BROWN + MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	1,432,020	1.55
PARMA CORPORATION PTY LTD	1,368,471	1.49
BOND STREET CUSTODIANS LIMITED <LAM1 - D08047 A/C>	1,200,000	1.30
BOND STREET CUSTODIANS LIMITED <LAM1 - D08059 A/C>	1,200,000	1.30
DIXSON TRUST PTY LTD	1,117,500	1.21
BOND STREET CUSTODIANS LIMITED <LAM1 - D08017 A/C>	1,000,000	1.09
CHEN DENTAL HOLDINGS PTY LTD	794,410	0.86
JASFORCE PTY LTD	617,000	0.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	470,750	0.51
CCBS LIEW PTY LTD <CHRISTOPHER LIEW S/FUND A/C>	400,000	0.43
DR RUSSELL KAY HANCOCK	400,000	0.43
MRS LARISSA DIANE HART <SQUIRREL A/C>	376,000	0.41
	66,344,321	72.00

Unquoted equity securities

	2017 Number
Employee options	3,608,601

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Christopher Hart	26,542,513	28.81
Tiga Trading Pty Ltd	13,929,019	15.12
Neil Anderson	5,837,365	6.34

Voting rights

The voting rights attached to ordinary shares and options are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

Warrants

There are no voting rights attached to warrants. Upon conversion of the warrant, the issued shares will confer full voting rights.

There are no other classes of equity securities.

Oventus Medical Limited
Corporate directory
30 June 2017

Directors	Mel Bridges - Chairman Neil Anderson - Managing Director and CEO Christopher Hart - Clinical Director and Founder Sue MacLeman - Non-Executive Director
Company secretary	Stephen Denaro
Notice of annual general meeting	The Annual General Meeting of Oventus Medical Limited will be held at: McCullough Robertson Level 11 66 Eagle St Brisbane QLD 4000 Friday, 17 November 2017 1:00pm
Registered office	Suite 1 1 Swann Road Indooroopilly QLD 4068 Telephone: (07) 3831 8866
Principal place of business	Suite 1 1 Swann Road Indooroopilly QLD 4068
Share register	Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101 Telephone: 1300 787 272
Auditor	PKF Hacketts Audit Level 6 10 Eagle Street Brisbane QLD 4000
Stock exchange listing	Oventus Medical Limited shares are listed on the Australian Securities Exchange (ASX code: OVN)
Website	www.ventus.com.au
Corporate Governance Statement	The Corporate Governance Statement of Oventus Medical Limited is available from our website www.ventus.com.au via the tab headed "Investor Centre".